

Message Text

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PAGE 01 TEGUCI 01367 092207Z

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 AID-05 CIAE-00 COME-00 FRB-03

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 9688

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY BRAZILIA

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E.O. 11652: N/A

TAGS: EAGR, HON

SUBJECT: BANANAS: STANDARD NEGOTIATIONS ON ISLETAS

REF: TEGUCIGALPA 1282

SUMMARY

1. BEGIN LIMITED OFFICIAL USE STANDARD FRUIT MEETING WITH BANANA COMMISSION APRIL 8 WAS CORDIAL BUT INCONCLUSIVE. MALDONADO, DIRECTOR AGRARIAN REFORM INSTITUTE (INA), NONETHELESS "PLEASED" AT RESULTS OF SESSION. ROTOLO, LOCAL MANAGER OF STANDARD BELIEVES LITTLE WAS ACCOMPLISHED. STANDARD RECEIVED COMMISSION'S DRAFT OF PROPOSED AGREEMENT BETWEEN INA AND COMPANY. STANDARD, IN TURN, PRESENTED LIST OF PRACTICAL QUESTIONS. DISCUSSIONS
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PAGE 02 TEGUCI 01367 092207Z

CONTINUE ON APRIL 9. END LIMITED OFFICIAL USE. END SUMMARY

2. BEGIN UNCLASSIFIED. BANANA COMMISSION PRESENTED STANDARD WITH DRAFT DOCUMENT CONTAINING ELEMENTS TO BE INCLUDED IN AGREEMENT TO TRANSFER ISLETAS FROM STANDARD TO THE AGRARIAN REFORM INSTITUTE (INA). DRAFT CONTAINS THIRTEEN POINTS:

A. ALL FACILITIES AND LAND IN ISLETAS AREA ARE TO BE TRANSFERRED TO INA.

B. TRANSFER IS TO BE COMPLETED BEFORE MAY 5, 1975.

C. A COMPREHENSIVE LIST OF GOODS AND IMPLEMENTS TO BE TRANSFERRED, FREE OF TAX, IS PRESENTED.

D. GOODS AND IMPLEMENTS NOT NECESSARY FOR THE EXECUTION OF THE AGRARIAN REFORM WILL NOT BE INCLUDED.

E. WITHIN FIVE DAYS OF THE SIGNING OF THIS DOCUMENT, A JOINT COMPANY-INA COMMISSION WILL COMMENCE AN INVENTORY OF THE PROPERTIES TO BE COMPLETED BEFORE APRIL 30. THE COMMISSION WILL DETERMINE THE CONDITION OF ITEMS INVENTORIED AND THE VALUE AND DEPRECIATION ACCORDING TO COMPANY RECORDS. THE COMPANY WILL PROVIDE SUCH RECORDS.

F. BETWEEN THE SIGNING OF THIS DOCUMENT AND THE TRANSFER OF THE PROPERTIES, THE COMPANY IS RESPONSIBLE FOR MAINTAINING THE BANANA PLANTATIONS AND EQUIPMENT IN GOOD CONDITION, INCLUDING WHATEVER WORK IS NECESSARY TO THIS END. IN THAT PERIOD, THE COMPANY WILL ALSO MAINTAIN IN A NORMAL MANNER SCHOOLS, DISPENSARIES, DRINKING WATER, ELECTRICITY AND OTHER SERVICES IT HAS BEEN PROVIDING.

G. THE COMPANY SHOULD NOT REMOVE EQUIPMENT FROM THE AREA AND MUST RETURN EQUIPMENT ALREADY REMOVED.

H. PAYMENT FOR LAND AND IMPROVEMENTS WILL BE MADE UNDER THE CONDITIONS OF THE AGRARIAN REFORM LAW. FOR MATERIALS NOT INCLUDED UNDR THE LAW WHICH INA FINDS CONVENIENT TO ACQUIRE, PAYMENT WILL BE MADE ACCORDING TO THE DEPRECIATED BOOK VALUE IN THE COMPANY RECORDS.

I. LAND HELD BY THE COMPANY UNDER OTHER CONTRACTUAL ARRANGEMENTS WITH GOH ENTITIES WILL PASS TO INA EVEN THOUGH THE RELEVANT CONTRACTS HAVE NOT EXPIRED. LAND TITLES HELD BY THE COMPANY WILL BE REVIEWED AND DOUBTS WILL BE RESOLVED BY NEGOTIATION OR, SUBSEQUENT TO DISAGREEMENT, UNDER THE PROCEDURES OF HONDURAN LAW.

J. THE COMPANY AGREES TO NEGOTIATE WITH EMPRESEAS ASOCIATIVAS OR COOPERATIVAS BANANA MARKETING CONTRACTS, AND TECHNICAL SERVICES AND MATERIAL PROVISION (FERTILIZER) CONTRACTS, THESE LIMITED OFFICIAL USE

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PAGE 03 TEGUCI 01367 092207Z

LATTER SERVICES WILL BE PROVIDED AT COST AS WILL RAIL TRANSPORT AND DOCK SERVICES. THESE SAME FACILITIES WILL BE AUTHORIZED BY THE COMPANY TO OTHER PRODUCTS WHICH MAY BE PRODUCED BY THE CITED ORGANIZATION.

K. INA AND OTHER CITED ORGANIZATION ARE NOT OBLIGATED TO SELL TO THE COMPANY. SHOULD SALES BE MADE TO OTHER THAN THE COMPANY, THE COMPANY WILL NONETHELESS PROVIDE TRANSPORT AND OTHER NECESSARY SERVICES THAT MAY BE CONTRACTED.

1. THIS AGREEMENT DOES NOT EXONERATE THE COMPANY FROM COMPLIANCE WITH ITS OBLIGATIONS UNDER CONCESSIONS GRANTED BY THE GOVERNMENT.

2. DIFFERENCES BETWEEN THE COMPANY AND INA WILL BE RESOLVED THROUGH ARBITRATION. EACH PARTY WILL NAME ONE ARBITER AND BOTH WILL AGREE UPON A THIRD ARBITER. THE ARBITERS WILL LIMIT THEMSELVES TO QUESTIONS PRESENTED TO THEM AND DECIDE ISSUES WITHIN 90 DAYS. ARBITRAL DECISIONS WILL BE FINAL AND WITHOUT ORDINARY OR EXTRAORDINARY RECOURSE BY EITHER PARTY.

3. FOR ITS PART, STANDARD PRESENTED A SHORT LIST OF QUESTIONS (SOME ANSWERED BY THE GOH PAPER) WHICH CONVEYED A SPIRIT OF COOPERATION. STANDARD OFFERED TO ENTER INTO AN IMMEDIATE AGREEMENT GIVING ACCESS TO THE AREA TO THE GOH IN PURSUIT OF ITS PLANS, ALSO INDICATING THE NEED OF THE AGREEMENT TO PROTECT THE EQUIPMENT AND FIXED INVESTMENTS OF STANDARD. THE COMPANY ALSO OFFERED TO REACH AGREEMENT ON A TECHNICAL SERVICE CONTRACT AT ISLETAS, AND A PURCHASE CONTRACT FOR SUITABLE PRODUCTS. CONCERNING THE PURCHASE CONTRACT, STANDARD OFFERED \$2.15 PER BOX (FOB LA CEIBA). END UNCLASSIFIED.

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4. INA DIRECTOR MALDONADO REPORTEDLY "PLEASED" WITH FIRST DAY NEGOTIATIONS.

5. STANDARD MANAGER ROTOLO QUITE PESSIMISTIC THAT GOH APPROACH DOES NOT GET TO THE ISSUE OF OBTAINING OUTPUT FROM THE REMAINING 3,000 ACRES PLANTED IN BANANAS AT ISLETAS. STEMS MUST BE BAGGED AFTER FLOWERING, AND AERIAL SPRAYING CONDUCTED WITHOUT INTERRUPTION EACH TWO WEEKS. HE STATES 2,000 ACRES ARE ALREADY USELESS FOR EXPORT PRODUCTION. ABOUT HALF OF LABOR FORCE HAS MOVED OUT

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PAGE 04 TEGUCI 01367 092207Z

(PROBABLY RECALLABLE). STANDARD CONTINUES TO EMPLOY SENIOR SUPERVISORY PEOPLE AND OPERATE ITS OFFICES IN ISLETAS. ROTOLO KNOWS OF NO UNION LEADERS HAVING BEEN FIRED. ROTOLO NOTES COMPANY ANNOUNCED INTENT TO ABANDON ISLETAS AREA IN NOV. 1974. AND GOH HASN'T YET BEGUN TO THINK ABOUT MANAGING A BANANA PLANTATION. HE STATES STANDARD WILL NOT ACCEPT A MANAGEMENT CONTRACT. THERE MAY BE ONE OR TWO INDEPENDENT GROWERS WHO HAVE CAPACITY TO MANAGE ISLETAS, BUT NO ONE IN THE GOVERNMENT DOES. GOH DRAFT APPARENTLY PREPARED BY MINFIN ACESTA BONILLA AND MINLAB FONSECA.

COMMENTS: GENTLEMANLY ATTITUDES ON BOTH SIDES OBSCURE THE COMPLEXITY OF THE TRANSFER. WITH NO GREAT EXPERIENCE, INA IS ATTEMPTING TO IMPOSE A NEW LABOR AND SOCIAL STRUCTURE (EMPRESAS ASOCIATIVAS) PARTIALLY NATIONALIZE A FOREIGN COMPANY, AND CONTINUE PRODUCING A COMPLEX CROP, ALL IN CIRCUMSTANCES IN WHICH

BOTH THE COMPANY AND GOVERNMENT HAVE DETERMINED BANANAS TO BE
A LOSS OPERATION. THE ONLY ECONOMICALLY POSITIVE FACTOR IS
THAT LABOR, UNDER AN EMPRESA ASOCIATIVA, IS NOT SALARIED - IT
OBTAINS A SHARE OF RESULTS - AND LIKEWISE HAS NO CLAIM TO THE LAND.
THUS LABOR, IF IT IS POLITICALLY WILLING, BECOMES LESS
COSTLY INPUT.
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